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How Reagan Was Foiled on Soviet Sanctions

When President Reagan meets allied leaders this weekend in Williamsburg, Va., he may discover in a very personal way that he was snookered into dropping the Soviet pipeline sanctions.

As I reported last November—when Reagan announced the end of the sanctions he had imposed in January, 1982—the Soviet leadership had outguessed the White House at every step.

The CIA played into the Kremlin's hands by producing two shoddy intelligence estimates on the likely effects of the sanctions. Then the agency compounded its errors by following the recommendations of an American company that stood to gain millions if the sanctions were lifted.

Finally, the State Department evidently was persuaded by our European allies that if the sanctions were lifted they would join in an agreement on trade with the Soviet bloc. Secretary of State George P. Shultz convinced Reagan this was the case. The president will find out this weekend just how empty the allied leaders' assurances were.

My associate Dale Van Atta has pieced together the story from secret documents and interviews over the past six months:

As I reported in November, the Kremlin figured that Reagan would impose sanctions on export of pipeline technology if the Soviets cracked down on Poland. Knowing their own timetable for the crack-down, the Soviets rushed to nail down contracts for pipeline equipment with western suppliers. The final contract was signed in Moscow on Dec. 14, 1981, the day after martial law had been declared in Poland.

The one U.S. company whose products were considered by the Soviets to be vital to their natural gas pipeline was General Electric. And GE obviously stood to make a bundle if the sanctions were lifted. Knowing this, the CIA relied heavily on GE for information on how the sanctions were working.

A GE representative coordinated and controlled a two-hour CIA briefing for White House and State Department officials in early 1982. His presentation naturally favored dropping the sanctions, and it went substantially unchallenged by the CIA.

In August, 1982, the CIA produced an intelligence estimate that strongly criticized the sanctions. Upset by the report, White House national security affairs adviser William P. Clark wrote CIA Director

William J. Casey in September and asked him to reconsider.

Examination of the CIA's August estimate shows it was a poor effort. It shows complete ignorance of the terms of the contracts the Soviets were then rushing to complete.

The CIA also drastically underestimated the value to the Soviets of their gas pipeline to western Europe, obviously a vital consideration in assessing the degree of punishment inflicted by the sanctions. The CIA figured the Soviets stood to make about \$5 billion a year after completion of the first pipeline segment. But other intelligence estimates put the figure at \$8 billion to \$10 billion a year.

Even worse, the CIA didn't even address the question of Soviet gas sales when two more strands of the pipeline are in place, sales estimated by others at \$30 billion to \$40 billion a year in badly needed hard currency.

In October, the CIA gave Clark the second estimate he had requested. It was essentially a justification of the first one. With the CIA firmly against the sanctions, Shultz was able to persuade Reagan they should be lifted. As a face-saving gesture, it was announced that the European allies would join in a tough general agreement on trade with the Soviets. The president will try to hold the allies to their promise this weekend.